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### Special Article - The Sydney Olympic Games

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#### INTRODUCTION

The awarding of the 2000 Olympic Games ("the Games") to Sydney has already had a significant economic impact on Australia and will continue to do for several years to come. Some of the impacts are direct, such as the construction of venues and other facilities prior to the Games, the sale of television broadcast rights during the Games, and the movement of athletes and tourists to participate in or watch the Games. Other impacts are indirect, such as the international tourism that is generated for Australia from the promotional aspects associated with the media coverage that Sydney and Australia receive through hosting the Games.

The treatment of the economic activity associated with the 2000 Olympic Games in Sydney is consistent across all of the macro-economic statistics published by the Australian Bureau of Statistics (ABS), and the same statistical treatment applies to the Paralympic Games that follow the Games. The purpose of this article is to explain the treatment of this economic activity in Australia's national accounts, balance of payments and international investment statistics. This article combines two articles on this topic released in the September quarter 1999 issues of **Balance of Payments and International Investment Position** (Cat no. 5302.0) and **Australian National Accounts: National Income, Expenditure and Product** (Cat no. 5206.0).

- The economic activity associated with the Sydney Olympic Games can be broken down into a number of broad categories:
- the activities of the Sydney Organising Committee for the Olympic Games (SOCOG);
- other activities associated with the lead-up to the Games;
- the movement of athletes and tourists to participate in or watch the Games;
- the "promotional" effect of the Games; and
- other effects.

Each of these is discussed below. The article concludes with a discussion of the data issues associated with measuring Games-related activities in the national accounts and a section on measuring Games-related activities in balance of payments statistics.

## IMPACT OF THE OLYMPICS ON THE NATIONAL ACCOUNTS

### The activities of SOCOG

SOCOG is responsible for organising the Games, including operating all venues and facilities for the Games. It was established in late 1993 and since then has been engaging in economic activity that is being recorded in the national accounts. To understand the treatment of SOCOG's activities in the national accounts it is useful to start with its budget components. This is shown in the table below.

Table 1 SOCOG's Budget components

Revenue	Expenses
Television rights	Labour costs(a)
Sponsorship	Depreciation
Consumer Products	Other
Ticketing	
Other revenue	
<b>Total revenue</b>	<b>Total expenses</b>

(a) Personnel costs plus superannuation

In the national accounts, output is equal to revenue accrued plus any capital work done on own account. This output has to be allocated to the periods in which it takes place, which may not necessarily coincide with when income is actually received or inputs are paid for. It is considered that for the periods prior to the Games, the value of SOCOG's output is best determined by summing its expenses rather than using its revenue. Thus, its output in these periods is being measured as the sum of its labour costs, its depreciation expenses and that part of its other expenses relating to intermediate inputs. For the period in which the Games take place, the value of SOCOG's output will be equal to its total revenue less the value of output recorded in previous periods. Its **gross value added** in all periods is measured by subtracting its intermediate input expenses from its output, and is reflected in the industry gross value added estimates for the **cultural and recreational services** industry.

Calculating SOCOG's value added as described above means that, for the periods prior to the Games, its **gross operating surplus** (GOS) is equal to depreciation. For the period in which the Games take place, SOCOG's GOS will equal depreciation plus any net surplus from the Games. (If, however, the actual net surplus is negative, then it will be deducted from, rather than added to depreciation.) SOCOG's GOS is reflected in the **public non-financial corporations** GOS series shown on the income side of the GDP account. Its labour costs are reflected in the **compensation of employees series**.

To explain the treatment of SOCOG's activities on the expenditure side of the GDP account it is necessary to first understand the basis for the time of recording transactions in the national accounts. Transactions are recorded at the time an economic benefit is transferred from one party to another. If output is produced in a period other than the one in which the economic benefit associated with the output is transferred, then **changes in inventories** are recorded. Inventories are increased in the period in which the output is produced, and are decreased when the economic benefit is transferred. In SOCOG's case, it is considered that the economic benefits associated with the television rights and ticketing revenues will not be provided (to the television rights holders and ticket holders) until the Games actually take place. On the other hand, it is considered that the time that payments are made for sponsorship, consumer products and other

revenues provides a reasonable basis for determining the time that the economic benefits flow to the organisations or persons making the payments.

**Table 2: Recording SOCOG's transactions in the National Accounts**

<b>Item</b>	<b>In the periods prior to the Games</b>	<b>In the period in which the Games take place</b>
Changes in inventories - public authorities	The value of SOCOG's output less revenues received from sponsorship, consumer products and other revenue is recorded as an increase in inventories	The cumulative change in inventories in past periods is recorded as a run-down (ieas a negative change) in inventories
Household final consumption expenditure - recreation and culture	Nothing recorded	The total value of tickets sold directly to <b>Australian households</b> , and to <b>Australian businesses</b> for distribution to their staff, regardless of when the tickets are actually paid for
Household final consumption expenditure - other components	Value of consumer products sold to <b>Australian residents</b> , recorded at the time that sales take place	Value of consumer products sold to <b>Australian residents</b> , recorded at the time that sales take place
Exports of goods and services	(1) Fees for sponsorships received from non-residents, recorded when fees are received (2) Value of consumer products sold to non-residents, recorded at the time that sales take place	(1) Fees for sponsorships received from non-residents, recorded when fees are received (2) Value of consumer products sold to non-residents, recorded at the time that sales take place (3) Fees for television rights received from non-residents, regardless of when the fees are actually paid (4) The total value of tickets sold to non-residents, regardless of when the tickets are actually paid for
Imports of goods and services	Royalty payments made by SOCOG to the International Olympic Committee, recorded at the time the payments are made	Royalty payments made by SOCOG to the International Olympic Committee, recorded at the time the payments are made
Intermediate consumption(a)	Fees for sponsorships received from residents, recorded when fees are received	(1) Fees for sponsorships received from residents, recorded when fees are received (2) Fees for television rights received from residents, regardless of when the fees were actually paid (3) The total value of tickets sold to Australian businesses for promotional purposes, regardless of when the tickets were actually paid for

(a) Note, these amounts are not actually recorded on the expenditure side of the GDP account, as they are not - final - expenditures. Instead, they will be reflected in the gross operating surplus of the businesses purchasing these services.

This means that SOCOG's transactions are recorded on the expenditure side of the GDP account as shown in Table 2. Under the method of recording described in this table, at least some of SOCOG's transactions in television rights and ticketing will be recorded in a period other than that in which SOCOG actually receives payment for these services. Amounts that are paid in periods prior to the one in which the service is deemed to have been delivered are reflected as transactions in **other accounts receivable/payable** in the financial accounts of the relevant sectors. (These financial accounts are not shown in ABS Cat no. 5206.0. They can be found in **Australian National Accounts: Financial Accounts** (ABS Cat no. 5232.0)). These transactions

will be “reversed” in the period in which the services associated with the payments are actually delivered (ie the period in which the Games take place).

In addition to the transactions described in Table 2, SOCOG has also made some (relatively minor) acquisitions of fixed assets. These transactions are reflected in the **state and local** component of the **public corporations gross fixed capital formation** estimates.

SOCOG is also committed to paying, prior to the Games, various national Olympic Committees cash amounts to offset the costs of participation. These amounts, which will be in the tens of millions of dollars, are not treated as an expense of SOCOG in the national accounts. Instead, they are treated as a deduction from the **net secondary income from non-residents — current transfers** component of the national and sectoral income accounts.

### **Other activities associated with the lead-up to the Games**

Most of the other significant economic activity associated with the lead-up to the Games relates to the construction of infrastructure (including facilities) directly related to the Games, and construction of other buildings and structures that may be linked in some way to the holding of the Games. An example of the former is the construction of Stadium Australia, while an example of the latter is the redevelopment of the international terminal at Sydney Airport. Other recent construction projects (eg new hotels) in Sydney may not have been undertaken solely because of the Games, but the Games may have influenced their timing.

Construction activities of the type described above are reflected in the relevant national accounts series. Work done for private corporations is recorded in the **other buildings and structures** component of **private gross fixed capital formation**. Work done for the public sector is recorded in the relevant components of public gross fixed capital formation. There may be associated acquisitions of machinery and equipment which would also be recorded in the relevant **gross fixed capital formation series**.

The value added of the construction industry from Games-related activity is recorded in the relevant component in the industry gross value added table. The value added of other industries that produce inputs used by the construction industry will be likewise affected.

The construction activity associated with the Games has effectively been completed, and therefore already reflected in national accounts estimates.

As well as construction activity, it is likely that in the lead-up to the Games non-residents have visited or will visit Australia in order to prepare for the Games. The expenditures of these visitors will be reflected in the **exports of goods and services** estimates.

Other economic activity associated with the lead-up to the Games will be recorded in the relevant components of the national accounts.

### **The movement of athletes and tourists to participate in or watch the Games**

It is expected that hundreds of thousands of people, both from Australia and from overseas, will visit Sydney to either participate in the Games or to watch them. This movement of people is likely to generate significant economic activity that might otherwise not have taken place, although, in the case of Australian visitors, some of this might replace more “usual” expenditures. Likewise, persons residing in Sydney may significantly alter their expenditure patterns around the time of the Games.

The expenditures of **non-resident** visitors (both participants and spectators) will be recorded as **exports of goods and services**. The expenditures of **Australians** will be recorded in the relevant components of **household final consumption expenditure**. Components that are most likely to be affected include:

- **recreation and culture**, which, as described above, will reflect ticket sales recorded at the time when the Games take place, and not when payments are actually made;
- **transport services**, which will reflect the services provided to move persons to and around Sydney; and
- **hotels, cafes and restaurants**, which will reflect the food, accommodation and other associated services provided to Games participants and spectators.

Corresponding effects, attributable to both resident and non-resident activity, will be reflected in the gross value added estimates for the relevant industries.

### The "promotional" effect of the games

The publicity for Sydney and Australia associated with the Games is likely to result in increased non-resident visitors to Australia for a number of years after the Games, although this effect is likely to be most concentrated in the year or so immediately following the Games. Expenditure in Australia by these visitors will be reflected in the estimates for **exports of goods and services**.

Other effects Most of the economic activity described above will have a positive impact on estimates recorded in the national accounts. It is, however, possible that the Games may prevent activity that may have otherwise taken place, either because it has been crowded out or because of disruption caused by the Games, particularly in Sydney. Any reduced economic activity induced by the Games will be reflected in the affected series.

The Games will also undoubtedly have "second order" effects beyond those already described. For example, persons working in Games-affected industries may receive higher wages and salaries than normal (eg through increased overtime) and this may cause them to alter their consumption patterns, at least on a temporary basis. These effects will be reflected in the relevant components of the national accounts, although for the most part, it is unlikely that the effects will be sufficiently significant to be detectable in the estimates.

### Data issues

Data provided to the ABS by SOCOG (on a confidential basis) are being used to estimate those components of the national accounts that are directly affected by SOCOG's activities. (The information available in SOCOG's Annual Reports is neither sufficiently timely nor sufficiently detailed for national accounts purposes.)

In most other cases, the existing data sources used to compile the national accounts will include Olympic Games-related activity. It will generally not be possible, however, to separately identify this activity from other activity of similar types that is not related to the Olympic Games. In some cases, the ABS will supplement its existing data sources with additional information in order to ensure that Games-related activity is correctly measured in the national accounts.

## IMPACT OF THE OLYMPICS ON BALANCE OF PAYMENTS STATISTICS

### Tourism

The November 1998 issue of **Forecast** (1) identified the direct, Games-related number of international visitors at about 130,000 (mostly at the time of the Games). These visitors will acquire accommodation and other personal goods and services such as food, domestic transportation, and shopping while in Australia. The spectators will also attend the Games and pay for tickets to the various events.

(1) Forecast, November 1998, eighth report of the Tourism Forecasting Council, Chapter 4.

The **Forecast** article also estimated that an extra 1.5 million tourists would visit Australia between 1998 and 2004 as a result of the promotional impact of the Games. These visitor numbers were forecast in that article to peak at about 353,000 in calendar year 2002.

In Australia's Balance of Payments, all personal goods and services acquired in Australia by travellers during visits of less than one year are recorded as travel credits. The travel expenditure in Australia by international visitors is estimated primarily from statistics on the number of visitors, as estimated in ABS overseas arrivals and departures statistics, together with estimates of the average expenditure of these visitors, derived from the International Visitor Survey conducted on behalf of the Bureau of Tourism Research. Forecasts of the monetary impact of the Games visitors vary depending on assumptions about the characteristics of a Games visitor. However, Games spectators are likely to spend more per day than the average holiday visitor. Europe and North America are likely to be more heavily represented in Games spectator numbers than usual in total visitor numbers. Visitors from these sources stay longer than the average visitor and spend more. Accommodation and other costs for these visitors in and around Sydney will be higher at the time of the Games, and expenditure on tickets will push the average Games tourist expenditure well above the average holiday visitor expenditure.

The promotional impact of the Games is spread across a number of years and will be reflected in the ongoing measurement of visitor numbers and average expenditures in the usual data sources. No separate Balance of Payments measurement will be needed. Most of the direct Games-related travel credits will be more concentrated, and will be recorded, in **International Trade in Goods and Services, Australia** (Cat no. 5368.0), in the reference months of September and October 2000, and in the Balance of Payments in the September and December quarters 2000. Overseas arrivals and departures statistics will capture the visitor numbers in time for balance of payments estimation. However, until international visitor survey results are available, ABS estimates of the Games impact on average tourist expenditures will be included in published estimates. While this Games impact will be estimated at the time of the Games, once source country and average stay data are available from overseas arrivals and departure statistics for all visitors, additional expenditures of about \$600 million might be expected, with 80 per cent of this amount recorded in September 2000. This includes expenditure on Games tickets, regardless of when the tickets are paid for. See discussion below for the Balance of Payments and International Investment Position treatment of revenue from ticket sales prior to the Games.

In addition to the travel expenditure within Australia by the direct and indirect Games-related visitors, these visitors may travel to or from Australia on Australian-operated aircraft. The Games-related earnings of these resident airlines will be included within the passenger services component of transportation in the Balance of Payments.

### Other Games-related Balance of Payments activity

There are a range of cross-border goods, services and financial investment transactions associated with the Games. The following explanation of the Balance of Payments and International Investment Position treatments of these refers to SOCOG's budget components provided in Table 1.

### **Television rights**

Most of the television rights to be earned from the Games will be earned from non-residents. The fees paid for these rights will be classified in the balance of payments as audio-visual and related services exports within the broader item 'Personal, cultural, and recreational services'.

As noted earlier, from a macro-economic accounting perspective, the time of recording of the TV rights should be when the associated service is provided. However, payments for these rights are being made on a progressive basis. Payments received by 30 June 1999 are refundable, and are treated in the Balance of Payments and International Investment Position as prepayments for a service that will be delivered to the TV networks in September and October 2000. At the time of the Games, the prepayment liability (recorded in 'other investment') will be extinguished, and exports of the audio-visual services will be recorded in September and October 2000.

### **Sponsorships**

A significant proportion of the Games sponsorship revenue will also be earned from non-resident sponsors. These sponsorship fees will be classified in the Balance of Payments as franchise and similar trademark rights exports within the broader item 'Royalties and licence fees'. As with TV royalties, these sponsorship services should be recorded when the service is provided. However, it is not straight forward to estimate the flow of economic benefit to the sponsors. It commences when the sponsors begin to be associated with the Games and use the sponsorship arrangement for image enhancement, recognition and similar benefits, and may continue well after the conduct of the Games. As a practical approximation, sponsorship services exports are being progressively recorded when the payments for the services are made, although a significant proportion of the payments are expected to be received in the September quarter 2000.

### **Consumer products**

Some of the consumer products revenue will be earned from non-residents. Games visitors may purchase Games merchandise, and these expenditures will be included in the travel credits estimates discussed above. If any of the merchandise is shipped directly abroad, it will be classified as merchandise exports in the balance of payments when shipped.

### **Ticket sales**

Some of the ticketing revenue will also be earned from non-residents, and these expenditures will be included in the travel credits estimates at the time of the Games, as discussed above. Any receipts for ticket sales prior to the Games will be recorded in the Balance of Payments and International Investment Position as pre-payment liabilities, to be extinguished by the delivery of the service at the Games in September and October 2000.

### **Other international transactions**

There are a number of other international transactions associated with the Games:

- As mentioned previously, SOCOG has committed to pay the various National Olympic Committees, prior to the Games, a cash amount equivalent to the cost of return airfares to Sydney for all competitors, team officials and other team personnel up to a maximum 15,000 travellers. Any such payments to non-residents, which will be in the tens of millions of dollars, are recorded in the Balance of Payments as current transfers debits;
- goods have been imported to support the conduct of the Games, such as fleet transport, timing equipment and other facilities. These are recorded in the Balance of Payments indistinguishably with all other merchandise goods imports;
- sporting equipment brought in by visiting teams will be classified as temporary imports, and excluded from the Balance of Payments. It will be assumed to be either subsequently taken out again (recorded as a re-export after temporary importation), or if left in Australia, that it has no commercial value (swapped with other athletes or given away); and
- all other types of international cross-border goods and services acquired or supplied by SOCOG and other entities in regard to the Sydney Games will be incorporated indistinguishably in the relevant goods or services commodity groups as appropriate.

## **FURTHER INFORMATION**

Further information on the treatment of the Sydney Olympic Games in the national accounts can be obtained from Mr Ross Harvey on (02) 6252 6713 or email [ross.harvey@abs.gov.au](mailto:ross.harvey@abs.gov.au). For enquiries about the balance of payments and international investment position treatment of Games-related transactions please contact Ms Carol Trickett on (02 6252 5540), fax (02 6252 7219) or email [carol.trickett@abs.gov.au](mailto:carol.trickett@abs.gov.au).

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